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TAGS: [AORC](#) [KUNR](#) [PREL](#) [UNGA](#)
SUBJECT: UNGA/C-5: SCALES DEBATE FOR REGULAR BUDGET AND PKO
CHURN ON WITH NO CONSENSUS IN SIGHT

REF: A. USUN 917
[1](#)B. USUN 1071

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[1](#)1. (U) SUMMARY: No consensus has been reached during recent informal meetings of the Fifth (Administrative and Budgetary) Committee of the UN General Assembly on both the regular budget and peacekeeping (PKO) scales of assessments. On the regular budget scales, the EU proposal failed to gain any traction, with the G-77 insisting that the proposal is nothing more than an attempt to break G-77 solidarity. Meanwhile, the G-77 continued to attack the 22-percent ceiling at every opportunity, to which the U.S. has responded by highlighting the underlying principles and historical basis for the ceiling on assessments. On the PKO scale, discussion continued to focus upon the lack of a definition for "developing country" given G-77 insistence of maintaining a clear distinction between developed and developing countries. While the U.S. and EU argued that any definition should be based upon objective criteria, the G-77 indicated that it considers the distinction between developed and developing countries to be a matter of choice and self-identification. END SUMMARY.

SETTING THE SCENE

[1](#)2. (U) The Fifth Committee continued its consideration on the scales of assessments during informal meetings on 1, 4, and 8 December. Due to both the contentious nature of deliberations on this sensitive issue and the importance of the scales to all Member States, these meetings have attracted significant interest within the Committee, with the conference room packed with delegates and staffers wishing to watch the unfolding political theater.

REGULAR BUDGET SCALES: THE DEADLOCK CONTINUES

[1](#)3. (U) U.S. DEFENDS PRINCIPAL OF CEILING, EFFORTS TO PAY ARREARS, AND EU PROPOSAL: The U.S. expressed support, in principle, for the EU's proposal and highlighted the importance of its focus on the LPCIA. The U.S. said it will not consider raising the ceiling, reiterating the principle of ensuring that the UN is not overly reliant on any one member state. It reminded delegates that the UN has always had a ceiling and that the percent has steadily declined over time as more member states become members. The U.S. rebutted claims that it is still heavily in arrears, explaining that the U.S. has recently made substantial payments to the UN, and that the continuing arrears are largely the result of the different timings between the U.S. financial calendar and that of the UN. The G-77 dismissed the US explanation,

commenting that it is not interested in the domestic factors that contribute to the late payments of members. The U.S. noted that the goal of all the proposals is to achieve the goal of a fairer and more equitable scales, but added that the task is "particularly difficult when we are experiencing a world financial crisis. The G-77 responded "stop invoking the crisis, they're the ones who created it."

14. (U) EU PROPOSAL FACES STRONG OPPOSITION FROM G-77: The EU continued to advocate the institution of multiple gradients in the low per capita income adjustment (LPCIA), which would increase the assessment rates for the four BRIC countries (Brazil, Russia, India, and the PRC), and to have wealthy countries voluntarily redistribute half of the resulting savings to countries whose per capita GNI are below the world average (see reftel B). Singapore, speaking for the G-77, indicated its strong opposition to the proposal, arguing that a multiple gradient is both arbitrary and discriminatory. It described the EU proposal as one intended to divide the G-77 and, in reference to the voluntary mitigation, stated that members of the G-77 would not accept "bribes" from the developing world. Russia indicated that it sees the proposal as being self-serving and questioned why the EU was advocating voluntary mitigation when the G-77, which stands to gain the most from it, was opposing it. In response to the concerns raised, the EU argued that a system of multiple gradients better reflects the current economic situation and that the voluntary mitigation was intended only to provide greater assistance to the countries that are most vulnerable.

15. (U) G-77 CONTINUES ITS ATTACK ON THE CEILING: The G-77 argued that if the EU was trying to address what it perceived as distortions generated by the LPCIA, it ought to also address the ceiling, which the G-77 argues is the greatest source of distortion in the regular budget scale. The G-77

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pointed out that, during the negotiations that established the current scale methodology in 2000, the ceiling was reduced from 25 percent to 22 percent as part of a package deal that included U.S. commitments to pay back its arrears. The G-77 noted that the U.S. has not fulfilled its part of the deal and that the ceiling ought therefore to be restored to 25 percent. Although the G-77 recognized the U.S. argument that the ceiling served to prevent financial over-reliance upon any individual Member State, it argued that a ceiling of 25 percent was sufficient to address that concern.

16. (U) RUSSIAN PROPOSAL ON EXCHANGE RATES RECEIVES LIMITED INTEREST: Russia continued to advocate its proposal to expand the application of price-adjusted rates of exchange (PARE) by the Committee on Contributions (see reftel B). It pointed out that PARE is already an element of the methodology used to counter the effects of excessive exchange rate fluctuation but that it was not being applied to all countries for whom changes in exchange rates could not be adequately explained by economic factors. The U.S. pointed out that the criteria being singled out by Russia was one of many factors used by the Committee on Contributions (COC) to determine for which countries use of PARE is appropriate and that the COC did not believe that the determination could be made on the basis on any one criteria alone. Russia also indicated that -- if its proposal was acceptable to the Committee -- it was prepared to shoulder an additional 0.313 percent of the UN budget and to distribute the resulting discount to non-OECD countries. The G-77 indicated that it was willing to consider the Russian proposal because, unlike the EU proposal, it did not seek to change the scale methodology.

17. (U) G-77 CONTINUES TO CRITICIZE DIPLOMATIC MOVES OUTSIDE OF THE FIFTH COMMITTEE: Singapore continued to criticize members for engaging G77 members bilaterally in capitals, referring to the practice as a "strange activity", insisting that negotiations be limited to the Fifth Committee, and asking "Are they so afraid of what happens in this room?" The EU responded that it has explained its position on the scales

of assessment in capitals as part of its effort to maintain transparency and that the EU "does not fear any dialogue." Singapore conceded that it is the "right of any country to speak to any country" but said that the discussion on scales should happen only in New York and in a multi-lateral context.

¶18. (U) THE WAY FORWARD AND THE STATUS QUO: The G-77 reminded the Committee that, had the Committee "followed the collective wisdom of 130 countries", a resolution to the regular budget scale could have been reached much earlier (see reftel A). The EU, however, continued to state its commitment to changing the methodology for the regular budget scale, though other supporters of a multiple gradient approach, such as Japan, have indicated their willingness to be flexible in order to reach a compromise.

¶19. (SBU) COMMENT: The EU has not been ready to back away from its proposal, which the G-77 has interpreted as self-serving. While the EU claims that voluntary mitigation is part and parcel of its proposal and therefore will ultimately benefit many G-77 countries, the argument has not gained ground with the G-77, which has no intention of creating internal dissent by turning against China, India, and Brazil. G-77 members continue to express willingness to embrace the status quo for the methodology along with lifting the ceiling to 25 percent. The G-77 has continued to attack the ceiling at every opportunity. It is not clear how much the EU will continue to press their proposal, which has absolutely no chance of gaining a consensus in the Committee.

PKO SCALES DEBATE STALLS ON "DEVELOPING COUNTRY" DEFINITION DEBATE

¶10. (U) SEARCHING FOR MEANING: THE "DEVELOPMENT" DEBATE: The G-77 proposal states that "henceforth, Level C shall be open for any Member State that is a developing country and which becomes eligible for movement to Level B." Following the U.S. rejection of level C as an arbitrary and outdated anomaly that should disappear, the U.S. and others engaged in an exchange on how exactly to determine what constitutes a "developing country." Upon questioning, the Secretariat officials present admitted that the language was open to interpretation but stated that it was not the responsibility of the Secretariat to decide which countries were developed and which were developing. Rather, such a decision was in the hands of the Member States.

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¶11. (U) EU and U.S. ASK FOR A CLEAR DEFINITION OF DEVELOPING COUNTRY: In response to continued questions from the U.S. and EU, Cuba, speaking on behalf of the G-77, indicated that designation as a developing country was not a matter of economic data but rather that of choice and self-identification. In other words, a Member State transitioning into level B -- whose members do not receive discounts to their PKO assessments -- could choose to be considered a developing country and be placed into level C -- whose members receive a 7.5 percent discount. Cuba argued that level C was the result of difficult negotiations in 2000 to have the PKO scale reflect a clear distinction between developed and developing countries and that opposition by the U.S. and the EU, was simply an example of permanent members of the Security Council being greedy and refusing to fulfill their special responsibilities in funding UN peacekeeping. On the other hand, the U.S. reasserted its understanding that the establishment of level C was a temporary transitional measure. Both the U.S. and the EU insisted that if a distinction were to be made between developed and developing countries, it would have to be on the basis of objective economic data.

¶12. (SBU) COMMENT: The G-77 is unlikely to provide objective and quantifiable criteria for what defines a developing

country. Its priority remains to ensure that none of the G-77 members are grouped into Category B. In the context of the debate, the operational G-77 definition of "developing" can be summarized in the following way: a country that chooses to define itself as such AND one that has joined the G-77. This is significant because there are a number of members of the G-77 which do not fit the traditional conception of "developing countries". For example, Singapore -- which is the lead negotiator for the G-77 -- is considered an "advanced economy" by the IMF, a "high-income economy" by the World Bank, and a country with "very high human development" under the UNDP Human Development Index. By continually using the term "developing", the G-77 hopes to convince members that there is some unnamed quality, be it social, economic, or political, that all its membership shares. In reality, the only thing universally common about the G-77's definition of "developing" is that it refers to its own membership, all of whom seek to pay as little as possible.

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